

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7397

BILL NUMBER: HB 1414

NOTE PREPARED: Jan 12, 2009

BILL AMENDED:

SUBJECT: Compressed Natural Gas Incentives.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill allows the Office of Energy and Defense Development to award grants to certain businesses and local government units that make qualified investments after June 30, 2009, to install and place into service compressed natural gas (CNG) compatible fueling stations in Indiana. It provides that not more than one grant may be awarded for a single location. It provides that the amount of a grant awarded for a location may not exceed the lesser of: (1) the amount of the grant recipient's qualified investment for the location; or (2) \$20,000. It also provides that the amount of a grant awarded for a location may be less than the amount of the grant recipient's qualified investment for the location. It provides that the total amount of grants awarded for all state fiscal years may not exceed \$1,000,000.

The bill establishes the CNG Fueling Station Grant Fund to award the grants, and provides that the office shall administer the fund. It allows the office to award grants to certain local government units that make qualified purchases after June 30, 2009, of: (1) one or more CNG vehicles; or (2) one or more CNG conversion kits. It provides that not more than one grant may be awarded to any one unit. It also provides that the amount of a grant that may be awarded to a unit is the sum of: (1) \$2,000 multiplied by the number of CNG vehicles purchased; plus (2) for each CNG conversion kit purchased, an amount equal to the lesser of \$2,000 or the actual cost of the conversion kit. It provides that the office may limit number of CNG vehicles or CNG conversion kits for which a unit may receive a grant. It also provides that the total amount of grants awarded for all units may not exceed \$1,000,000.

The bill also establishes the local unit CNG Vehicle Grant Fund to award the grants. It provides that the office shall administer the fund. It provides that for reporting periods ending before July 1, 2022, in addition to the retail merchant's collection allowance and certain other amounts that a retail merchant is entitled to deduct and retain, a retail merchant is entitled to deduct and retain from the retail merchant's State Gross Retail and Use Tax remittances the product of: (1) \$0.18; multiplied by (2) the number of units of CNG sold

at retail by the retail merchant during the reporting period for which the remittance is made. It provides that the total amount of deductions allowed may not exceed \$1,000,000 for all retail merchants in all reporting periods. It makes an appropriation.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Summary:* This bill would increase state expenditures. The bill establishes the CNG Fueling Station Grant Program and the CNG Vehicle Grant Program for Local Units. The bill provides that the total amount of grants awarded for all state fiscal years for each program may not exceed \$1 M. This bill does not contain an appropriation for these grant programs.

Office of Energy and Defense Development (OEDD): This bill would increase administrative expenditures for the OEDD. The bill requires the OEDD to adopt guidelines to determine standards for awarding grants under the CNG Fueling Station Grant Program and the CNG Vehicle Grant Program for local units. The current level of resources should be sufficient to implement the provisions of the bill.

Background Information-

CNG Fueling Station Grant Program: This bill establishes the CNG Fueling Station Grant Program. The program is funded by the CNG Fueling Station Grant Fund. The fund consists of money appropriated by the General Assembly, money received from state or federal grants or programs for alternative fuels projects and donations, gifts, and money received from any other source, including transfers from other funds or accounts. The bill provides that the amount of a grant awarded for a location may not exceed the lesser of the amount of the recipient's qualified investment or \$20,000. The bill provides that the OEDD may not award more than one grant for a single location. The bill also provides that the total amount of grants awarded for all state fiscal years may not exceed \$1M.

CNG Vehicle Grant Program for Local Units: This bill also establishes the CNG Vehicle Grant Program for local units. The program is funded by the CNG Vehicle Grant Fund. The fund consists of money appropriated by the General Assembly, money received from state or federal grants or programs for alternative fuels projects and donations, gifts, and money received from any other source, including transfers from other funds or accounts. This bill would decrease local expenditures for purchases of CNG vehicles and conversion kits. Local units may receive grants for qualified purchases of CNG vehicles or CNG conversion kits (including installation costs). A local unit may receive a grant award of \$2,000 for each CNG vehicle purchased and an amount equal to the lesser of \$2,000 or the actual cost for each CNG conversion kit purchased. The bill also provides that the total amount of grants awarded for all state fiscal years may not exceed \$1M.

Explanation of State Revenues: *Impact on Sales Tax Revenue:* This bill would decrease Sales Tax revenue. The bill provides that a retail merchant is entitled to deduct and retain from the retail merchant's State Gross Retail and Use Tax remittances the product of \$0.18 multiplied by the number of units of CNG sold at retail by the retail merchant during the reporting period for which the remittance is made. It provides that the total amount of deductions allowed may not exceed \$1 M for all retail merchants for reporting periods ending before July 1, 2022.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures* regarding the CNG Fueling Station Grant Program and the CNG Vehicle Grant Program for Local Units.

Explanation of Local Revenues:

Background Information- As used in this bill, "unit" means a county, city, town, township, or school corporation.

As used in this bill, "CNG vehicle" means any motor vehicle (as defined in IC 15-11-11-4) that is designed to operate on CNG alone or on CNG alternately with another fuel source.

As used in this bill, "CNG conversion kit" means any equipment used to convert a motor vehicle (as defined in IC 15-11-11-4) that is not a CNG vehicle into a CNG vehicle.

As used in this bill, "qualified investment" refers to an ordinary and usual expense that is incurred after June 30, 2009, to purchase any part of a CNG-compatible fueling station for the purpose of:

- (1) installing a new CNG-compatible fueling station at a location on which a fueling station is not located; or
- (2) replacing an existing fueling station that is not a CNG-compatible fueling station with a fueling station that is a CNG-compatible fueling station.

There are currently 14 CNG fueling stations in Indiana

State Agencies Affected: DOR; OEDD.

Local Agencies Affected:

Information Sources: U.S. Department of Energy, Alternative Fuels & Advanced Vehicles Data Center.
http://www.afdc.energy.gov/afdc/progs/ind_state.php/IN/CNG

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